

Credit disbursement management og habib bank ltd

[Business](#), [Management](#)



The group is thankful to Ms. Summary Zamia for giving the opportunity to be assigned on such type of topic. 1. 2: Objective Oatmeal purpose of the paper is to understand the managing process of credit disbursement sector of Habit Bank Ltd. In broad sense the objectives to be covered under this paper are: * To know about the financial performance of Habit Bank Ltd. On different segments such as liquidity, profitability & solvency. * To know about the credit disbursement process is another objective of this paper. To know about that it is needed to be understood how the bank takes decision on the eligibility of the applicant or how they measure the risk of Non Performing loan. * To know about the credit recovering process and credit recovering percentage of this bank. * To make recommendations for improving the credit disbursement management. It is also the objective of treacheries to help the management by providing ideas that might help to take appropriate decisions about the quality of the loan applicant in future. 1. : Scope of the paper The scope of this study was strictly confined to the annual report & contact with particular employee of Habit Bank Ltd. To collect the information work has been done on the credit management section of the bank. All other data related to the financial performance analysis was collected from Annual report and web sites related to Habit Bank Ltd. The area discussed in the paper is limited in credit disbursement management only. Although the information has been collected from the Habit Bank, Goulash branch, Dacha, Bangladesh, the financial performance reflects the worldwide performance of Habit Bank Ltd.

And the credit disbursement management is discussed here, is followed in Goulash branch. 1. 4: Methodology For smooth and accurate study everyone

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have to follow some rules & regulation. The stipulated were collected from only secondary source. * Annual report of Habit Bank Ltd. ; Phone calls * Website Data collection method: through various websites and reading the annual report of Habit Bank Ltd. Data sources: The information and data for this report have been collected from secondary sources of information. I. E. : annual reports, websites and phone calls.

Somerset book and reference term papers have been consulted in order to build up the framework of the term paper. Data processing: Data collected from secondary sources have been processed manually throughout the paper. Data analysis and interpretation: In analyzing the data, the priority of quality has been given, so that that the term paper turns out to be up to the mark. Any interpretation of data was not done without the consent of the information provider. 1. 5: Limitations On the way of completing this paper, problem has been faced that termed as the limitations of the paper. In all respect following limitation remain.

These are follows: Confidentiality of data: Because of some divisional and confidential problem, it was noticeable toggged enough information. Every organization has their own secrecy that is not revealed to others. While collecting death Bankrolled did not disclose enough information for the sake of confidentiality of the organization. CHAPTER 2: Habit Bank Ltd. 2. 1: Background of Habit Bank Ltd. Established: 1976 Phone: +880-2-9883505, 9884954 Fax: +880-2-9883064 Email:Com Head Office: South Avenue Tower, 7 Goulash Avenue, (1st floor) Goulash -1, Dacha - 1212.

Bangladesh Known as: HUB swift code: HABITED Category: Commercial Type: Private Origin: Foreign History Mohammed All Zinnia, Pakistanis founding father, realized the importance of financial intermediation while he was campaigning for the creation of a separate homeland for the Muslims of India. He persuaded the Habitfamilyto establish a commercial bank that could serve the Indian Muslim community. His initiative resulted in the creation of Habit Bank in 1941, with Home Office in Bombay (now lambi), and fixed capital of 25, 000 rupees.

The bank played an important role in monopolizing funds from the Muslim community to financethe All-India Muslim League's campaign for the establishment of Pakistan. Habit Bank also played an important role in channeling relief funds to Muslims hurt in the communal riots andviolencethat preceded the departure of the British from India. After the formation of Pakistan in 1947, Habit Bank moved its headquarters to Karachi, Pakistanis first capital, at the urging of Governor-General Zinnia. This gave Karachi its first commercial bank of the newly formed Pakistan. The Habit family would own and the sass, the Habit Bank Ltd. Darterd its international expansion. In 1951 it opened the first of what would become three branches in Sir Lankan. The next year Habit Bank Ltd. Established Habit Bank (Overseas). Then in 1956 Habit Bank Ltd. Opened the first of five branches in Kenya. 0 1957 or 1958 Habit Bank Old. Opened a branch in Aden. 0 1961 Habit Bank Ltd. Opened the first of what would become 6 branches in the I-J. 0 phobia Bank Ltd. Opened the first of 4 branches in Mauritius and a branch

in Beirut. 01966 Habit Bank Ltd. Opened the first of 8 branches in the AJAX.
01967 Hyde Mohamed All Habit founded Habit Bank PAL Zurich.

After the Pakistan nationalized Habit Bank Ltd in 1974, this became the main branch of the family held Habit Bank. 0 1969 Habit Bank Ltd. Penned the first of 3 branches and an BOB in Bahrain. However, Habit Bank Ltd. 's branch in Aden was nationalized. 0 1971 Habit Bank Ltd. Opened an BOB in Singapore and a branch in New York. 01972 Habit Bank Ltd. Opened the first of 11 branches in Oman. HABIT BANK LTD. Constructed Habit Bank Plaza in Karachi to commemorate the banks 25th Anniversary. 0 1974 The government of Pakistan nationalized Habit Bank Ltd. And Habit Bank Ltd. Merged with Habit Bank (Overseas). 0 1975 Habit Bank Ltd. Penned a branch in Belgium. Habit Bank Ltd. Also merged with Standard Bank, a Pakistani bank. 0 1976 Habit Bank Ltd. Opened a branch in the Seychelles, the first of two branches in Bangladesh, and a branch in the Maldives. 0 1979 Habit Bank Ltd. Opened a branch in the Netherlands. 0 1980 Habit Bank Ltd. Opened a branch in Paris and another in Hong Kong. 0 1981 Habit Bank Ltd. Established Nigeria Habit Bank with 40% ownership. Habit Bank Ltd. Also opened a representative office in Teheran. 0 1982 Habit Bank Ltd. Opened a branch in Khartoum. 0 1983 Habit Bank Ltd. Opened branch in the Karachi FEZ and a branch in Istanbul. 1984Habit Bank Ltd. Established Habit American Bank in New York with a branch ACH in Manhattan and Queens, and a US International Banking Facility. Habit Bank Ltd. Also opened a branch in California. 01987 Habit Bank Ltd. Opened in Australia. 0 1991 The Habit Group established a separate private bank, the Bank AL Habit, after private banking was re-

established in Pakistan. Habit Bank Ltd. Opened a branch in the Fiji Islands, and took over the branches in Pakistan of failed bank, BCC. 0 1992 In Nepal Habit Bank Ltd. Acquired 20% of Himalayan Bank. 0 1995 Habit Bank Ltd. Established a representative office in Cairo. Sass Habit Bank Ltd. Established Habit Finance (Australia), and Habit Finance International Limited, Hong Kong. Habit Bank Limited started business in Bangladesh on 9 July 1976 with two branches, one at Dacha and the other at Chitchatting. Till now it has 5 branches in Bangladesh. The assigned capital of the bank at the time of commencing business in Bangladesh was TX 2 million, which was later increased in different times and stood at TX 116. 40 million on 31 December 1999. In 2000, Bangladesh bank re-flexed the amount of required capital for foreign banks in Bangladesh at \$10 million (equivalent to TX 540 million).

Total shareholders' equity of Habit Bank in Bangladesh was valued at TX 462. 94 million in 2000, when its total liabilities were TX 1, 614. 70 million. The interest offered by the bank on various types of its deposits varied between 6. 5% and on 31 December 2000. Major areas of lending of the bank were small, medium and large scale industries, working capital financing, exports and import servicing, trade and other commercial loans. The lending rates were between 10% and 15. 5%. In 2000, the bank had classified loans of TX 72. 4 million. 2. 2: Organism 2. 3: Products and services

Habit Bank Ltd provides all types of banking service people expect from a commercial bank. The services provided by Habit Bank may be divided into two major groups. These are: I. Individual Banking ; II. Business Banking Individual Banking Individual clients get the normal deposit account services.

Further to that they may have some special accounts like Term account and Foreign currency account. Bank assurance is a special product designed by it in collaboration with New Jubilee Life Insurance Company Ltd. These programs include Retirement Plan and Child Education and Marriage Plan.

The loan schemes extended to individual customers by Habit Bank are: car Loan 0 Home Loan 0 Credit Card Other products of the bank for retail clients are 0 Debit Card 0 Phone Banking 0 Fast Transfer Business Banking Business customers are provided with services under the following broad categories by Habit Bank: 0 Corporate Banking 0 Commercial Banking 0 Investment Banking 0 Cash Management 0 Global Treasury 0 Asset Management Corporate Banking The following services are available for corporate clients: Working Capital Finance Pre and Post Shipment Export Finance Import Finance Receivable Discounting

Islamic Banking Cash Management Commercial Banking The clients are termed as Commercial. Habit Bank Ltd offers banking products of categories as depicted below: 0 Working Capital 0 Procurement of Inventory Procurement of Machinery Expansion of production facilities Import of raw material Export Guarantees Investment Banking Investment banking people of Habit Bank Ltd serve in three specific lines. These are Project Finance, Debt Capital Markets ; Syndication and Equity Capital Markets ; Advisory. Cash Management Habit Bank takes the responsibility of Client Company's cash management.

You may pay your employees and transfer funds as and when required through the bank. Its service would be accurate, hassle free and at the same time economic. Global Treasury Hob's Global Treasury service includes Risk Management, MoneyMarket and Foreign products for its clients. The bank presents risk management services at competitive price. It functions in money market judiciously to maximize client's benefits and to secure your deposits. HUB deals with foreign exchange banking needs skillfully. It may be in remittance service, in foreign trade or others.

Asset management Clients may Join a pension fund of HUB to have a regular income after retirement. They have to deposit BUT 1000 or it's multiple regularly and after maturity they'll be entitled to get the pension every month.

2. 4: Financial performance analysis Following ratios were given in the annual report 2012 of Habit Bank Ltd. Except for the first five ratios- No. 1

Ratio	2012	2011	Current ratio
Sales to working capital	0.09	0.10	1.09 1.10
Debt ratio	0.05	0.06	1.28 0.03
Debt etiquette	2.3	11.65	1.65 1.39
Return on total equity	0.01	0.2	0.01 0.2
Non-lintiest Income to Total Income	21.65	20.77	21.65 20.77
Operating Expenses to Total Income	42.13	41.26	42.13 41.26
Capital adequacy ratio	15.81	115.62	15.81 115.62
Total Risk Weighted Assets to Total Assets	8.10	11.81	8.10 11.81
Net Advances to Total Deposits	48.25	41.14	48.25 41.14
Liquid Assets to Deposits Ratio	48.99	11	48.99 11
Return on Average Assets	54.83	12	54.83 12
Return on Average Equity	2.16	13	2.16 13
	121.70	59.43	121.70 59.43
	75.78	1.63	75.78 1.63
	20.40		20.40

40 Chapter 3: Credit disbursement management of Habit Bank Ltd. Credit disbursement management is the process for controlling and collecting payments from customers.

A good credit management system will help a bank to minimize their exposure to bad debts. In this part of the paper, the credit management of Habit Bank Ltd is to be discussed. 3. 1 : Credit disbursement sectors Habit Bank Ltd. Is a commercial bank. The bank provides loans to many sectors. When asked to the bank personnel, about the credit disbursement sectors, following sectors were mentioned. I. Textile & Export oriented Ready Made Garments III. 'V. V. VI. 'X. X. X'. Textile and Readmes Garments accessories.

FoodProcessing ; commodity Imports Building Materials / steelCommunicationHealth; Pharmaceuticals Hotel ; Restaurants Paper, Paper products ; Packaging Chemical ; Fertilizer Non-banking Financial Institutions Personal loans The personnel did not disclose any names in these sectors that they provide loans to. The bank is basically interested in providing credit to industrial sectors. For the reason said behind this, " The Bank is more popularly known among the business sectors and industrial sectors for providing credits. That is why fewer customers come to ask for personal loans". . 2: Credit Disbursement process It is sometimes possible to increase profit by granting credit to selected clients who may choose to do business with the bank because of the convenience offered by a credit account. If the bank chooses to provide this option, it is to be ensured to develop a sound credit application process which includes a thorough check of client credit ratings before granting approval. When an applicant submits his/her loan application, it may seem like it disappears for a long time. But understanding how the commercial loan processing system works in Habit Bank Ltd.

It can help reduce annoyance while applicants wait for approval. Once the application is received, the loan officer or processor reviews the credit reports, the amount of available collateral, and applicant's income. The loan officer determines if any additional documentation is required, such as personal financial statements. If the applicant is purchasing real estate, he/she may also need to submit area maps, property appraisals, and lease summaries. After the loan package is submitted to the decision makers -? either a loan committee or underwriter -? the processor presents the applicant with a letter of intent or term sheet.

This is a formal document intended to ensure that all parties involved are on the same page. The letter of intent may include the names of involved parties, amount of financing, type of security (collateral), and other key ERM. Decisions are usually made in one to five days. After all third-party reports are successfully completed and underwriting for final approval. At this point the bank issues a final full loan commitment. If the loan is approved, the applicant will receive closing documents. The applicant then record or file deed transfers and mortgages, coordinate the exchange of funds, and sign the loan documents. . 3: Determinants of interest rate An interest rate is the rate at which interest is paid by borrowers for the use of money that they borrow from a lender. Specifically, the interest rate is a percent of ironical paid a certain amount of times per period. For example, a small company borrows capital from a bank to buy new assets for its business, and in return the lender receives interest at a predetermined interest rate for deferring the

use of funds and instead lending it to the borrower. Interest rates are normally expressed as a percentage of the principal for a period of one year.

Banks function by borrowing money from some sources and lending it to others. Their profit comes from the interest they charge on loans, which is necessarily higher than the interest they pay to those from whom they borrow. Usually following factors determines a banks interest rate: Risk Risk is a major factor in determining an interest rate. A higher-risk loan needs to have a higher interest rate so that the bank is compensated for its higher chance of default. Collateral Risk is partly determined by whether the loan is backed up by collateral.

A home loan tends to be lower risk because the house serves as collateral and the bank can sell the house in the event of a default, thus recovering at least some of its costs. A credit card, on the other hand, does not have any collateral, thus making it more risky or the lender. That means higher interest rates. Loan Cost Another interest rate factor is how much the bank itself is spending on the money in question---the higher it pays in interest to a depositor or money market, the more it needs to charge in interest in order to both stay profitable and compensate for the risk mentioned above.

Competition Banks are for-profit entities, competing with one another for market share. Therefore, interest rates are also influenced by the rates at which other banks loan. Federal Reserve The Federal Reserve influences interest rates by buying or selling Treasury securities, which in turn influences the rate at which banks loan money to one another. If this rate is

higher, interest rates go up as loan costs go up. When asked about the determinants of Habit Bank Ltd, the personnel answered the following determinants: 1.

Interest rate is determined by the ALCOA (Asset Liability Committee). 2. It is decided on the - - Liquidity in money market, - Demand for investment & - Gobo. Borrowings. 3. 4: Assessment of credit risk Risk assessment is the determination of quantitative or qualitative value of risk related to a concrete situation and a recognized threat. Quantitative risk assessment requires calculations of two components of risk, the magnitude of the potential loss, and the probability that the loss will occur.

Acceptable risk is a risk that is understood and tolerated usually because the cost or difficulty of implementing an effective countermeasure for the associated vulnerability exceeds the expectation of loss. A bank's use of experienced credit judgment and reasonable estimates are an essential part of the recognition and measurement of loan losses or credit risks. Banking supervisors should periodically evaluate the effectiveness of a bank's credit risk policies and practices for assessing loan quality. And also they should consider credit risk assessment and valuation policies and practices when assessing a bank's capital adequacy.

Habit bank's senior management is responsible for ensuring that the banks have appropriate credit risk assessment processes and effective internal controls commensurate with the size, nature and complexity of the bank's lending operations to consistently determine provisions for loan losses in

accordance with the bank's stated policies and procedures, the applicable accounting framework and supervisory guidance. Habit Bank Ltd. Has a system in place to reliably classify loans on the basis of credit risk. The bank's policies are appropriately addressed validation of any internal credit risk assessment models.

The bank has adopted and documented a sound loan loss methodology, which addresses credit risk assessment policies, procedures and controls for assessing credit risk, identifying problem loans and determining loan loss provisions in a timely manner. Habit Bank's credit risk assessment process for loans provides the bank with the necessary tools, procedures and observable data to use for assessing credit risk, counting for impairment of loans and for determining regulatory capital requirements. The personnel of Habit Bank Ltd. Said that it is not needed to assess risk if you provide the credit carefully.

There are many factors that are considered when approving a loan. Initially some basic characteristics are considered such as: Capacity, Capital, Collateral, Condition and character which are most commonly known as Sac's of credit. 3. 5: Credit recovering objective In case Borrower fails to come forward or shows reluctance, Habit Bank takes various steps to recover its assets, safeguard its possible losses and overcome crisis f the situation due to non-recovery. The bank is guided by certain policy guidelines and has policy objectives for recovery of loans and.) Ensure normal flow of income by taking appropriate measure so that loans are not converted to Non-performing Loans (NP). It) Recover stuck-up loans entirely. Iii) Maximize

Banks earning by converting Non-performing Loans (NP) to regular loans through re scheduling. 'v) Reach to an amicable settlement duly protecting interest of the Bank.

3. 6: Credit recovering process This is a generalized list of the debt collection process. Before reviewing this recess here are a few points to consider:

- * Determine account Action Plan/ Recovery Strategy *

Ensure adequate and timely loan loss provisions are made based on actual and expected losses. Conduct regular review of Sub-Standard or worse accounts.

- * Reminder constantly for repayment.
- * After certain period of time, when the loan becomes classified as bad & loss HUB takes necessary legal steps to recover the loss amount.

3. 7 Credit recovering rate The goal of credit management is to reduce the risk of NP and to increase a financial firm's resilience to large losses. One key assumption in credit management s how the recovery rate is determined. This assumption is important because additional risk is introduced when the recovery rate is not constant.